

Losing Ground: The Impact of Tuition and Fee Increases on Tennessee Higher Education



Losing Ground: A National Status Report on Affordability

Findings:

- Increases in tuition have made higher education less affordable
- Federal and state financial aid has not kept pace with increases in tuition
- More students and families are borrowing more money than ever to pay for college
- The steepest increases in tuition have been imposed during times of greatest economic hardship
- Tuition and fee increases have closed the door on access for many Americans
- States have not planned adequately for economic swings of boom and recession



Tuition and Affordability

- Increases in tuition have made colleges and universities less affordable for most Americans
- From 1992 through 2001, tuition and fees at the university sector rose faster than family income in 41 states.



In-state tuition (2000-01)	As a Percentage of Median Household Income		
	2000-01	1995-96	2000-01
United States (median)	\$3,206	7	8
SREB states (median)	\$2,700	6	7
Alabama	\$3,007	7	8
Arkansas	\$3,046	7	10
Delaware	\$4,237	8	9
Florida	\$2,392	5	6
Georgia	\$2,410	5	6
Kentucky	\$2,549	6	7
Louisiana	\$2,368	7	7
Maryland	\$4,312	7	8
Mississippi	\$2,787	8	9
North Carolina	\$1,993	5	5
Oklahoma	\$1,993	5	6
South Carolina	\$3,624	9	10
Tennessee	\$2,813	6	8
Texas	\$2,692	5	7
Virginia	\$3,645	10	8
West Virginia	\$2,486	8	9

Tuition Increases - A Regional Overview

Cost of Attendance Comparisons 2000-01

State	Median Household Income	Tuition and Fees - 4 Year	Tuition and Fees - 2 year	Total Cost of Attendance - 4year
Alabama	\$33,204	9.2%	5.1%	23.3%
Arkansas	\$29,212	13.1%	3.5%	28.1%
Georgia	\$37,826	8.5%	3.9%	21.5%
Kentucky	\$33,955	9.7%	3.5%	22.7%
Mississippi	\$28,925	10.8%	3.6%	25.1%
North Carolina	\$35,982	7.7%	2.5%	21.8%
South Carolina	\$33,465	11.1%	3.9%	26.1%
Tennessee	\$34,188	10.7%	4.2%	24.2%
Virginia	\$42,622	9.2%	2.7%	22.6%

The Income Gap - Regional Comparisons

Total Cost of Attendance as a % of Median Household Income

State	Median Household Income	Total Cost - less than 20% of MHI	Total Cost - more than 30% of MHI
Alabama	\$33,204	3.0%	20.9%
Arkansas	\$29,212	0.0%	42.7%
Georgia	\$37,826	13.8%	25.8%
Kentucky	\$33,955	11.7%	30.8%
Mississippi	\$28,925	3.7%	29.3%
North Carolina	\$35,982	14.0%	7.0%
South Carolina	\$33,465	2.2%	34.8%
Tennessee	\$34,188	5.3%	22.1%
Virginia	\$42,622	16.3%	34.8%

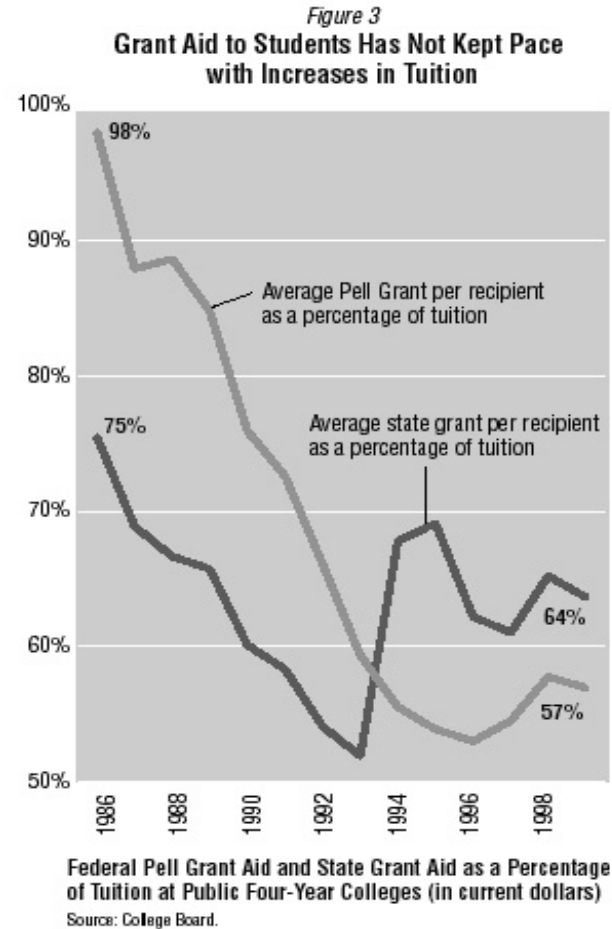
Cost of Attendance - The Difference Between TN Counties

County	Median Household Income	Total Cost of Attend.
Williamson	\$66,335	12.5%
Wilson	\$46,849	17.7%
Rutherford	\$44,803	18.5%
Hancock	\$20,555	40.3%
Lake	\$21,513	38.5%
Fentress	\$21,798	38.0%



Financial Aid Has Not Kept Pace With Tuition Increases

- Pell Grants now cover a smaller portion of tuition than they did in 1986
- In 1976, the maximum award covered 84% of tuition costs, in 2000 it covered only 39%



Funding for Financial Aid in Tennessee

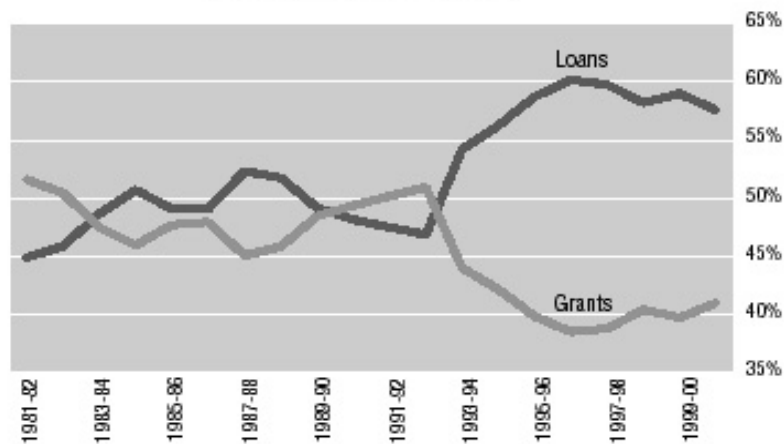
2000-01 Aid Dollars per Various Demographics	
	Amount
TN per Resident	\$5.34
National per Resident	\$12.91
TN per Resident (18-24 yrs old)	\$56
National per Resident (18-24)	\$135
TN per Undergraduate FTE	\$164
National per Undergraduate FTE	\$367
Source: NASGAP, 2000-01 Annual Survey Report	

TN students receive only **2.3%** of their financial aid via state assistance, well below the regional average of **4.3%**. Adjusting for the HOPE program in GA, TN is well off the adjusted regional average of **3.7%**.

Increased Reliance on Student Loans

- In 1996, TSAC guaranteed \$1,921,072,516 in student loans
- In 2001, TSAC guaranteed student loans totaled over \$2,678,249,189
- The number of individual borrowers increased 30% from 1996 to 2001.

Figure 4
Federal Financial Aid Shifted from Grants to Loans in the Last Decade



Percentage of Federal Student Financial Aid Devoted to Grants vs. Loans

Source: College Board.

Increasing Student Debt

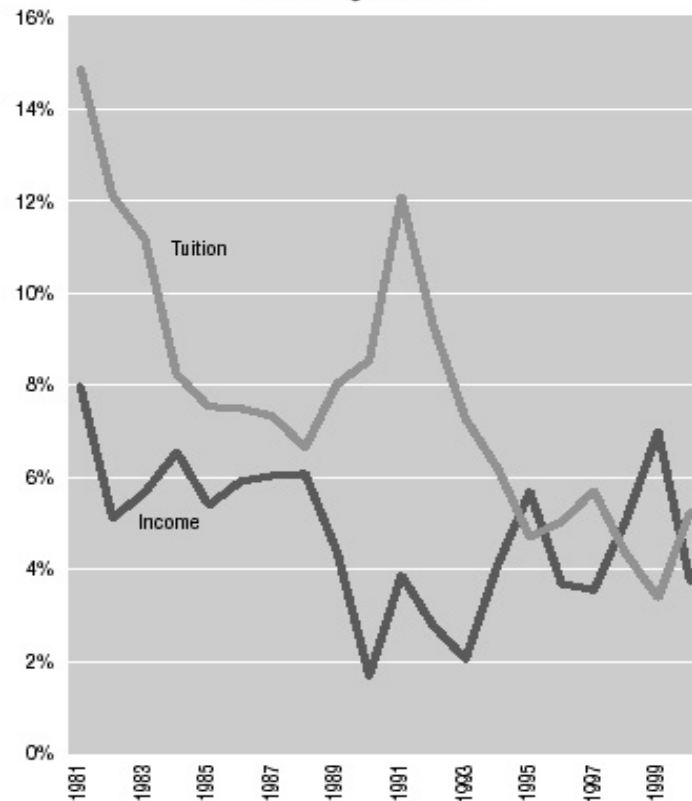
- In 1999-00, 64% of graduating students carried student loans, compared to 42% in 1992-93.
- The average debt burden increased from \$9,188 in 1992-93 to \$16,928 in 2000.
- Of those students who graduated in 2000 with loans, 39% had unmanageable debt.
 - *Unmanageable debt: Loan payments exceed 8% of monthly income*
- 84% of African American students graduate with debt, and 55% of unmanageable debt.
- In addition to student loans, 41% of graduating seniors carry credit card debt, with an average loan balance of \$3,071.



Tuition Increases and Recessions

- Eroding cycle of affordability
- The steepest tuition increases have occurred when students and families are least able to pay
- During economic downturns, appropriations to higher education are often the “balance wheel in state finance” and absorb large budgets.

Figure 7
Tuition at Public Colleges Has Increased
Most During Recessions

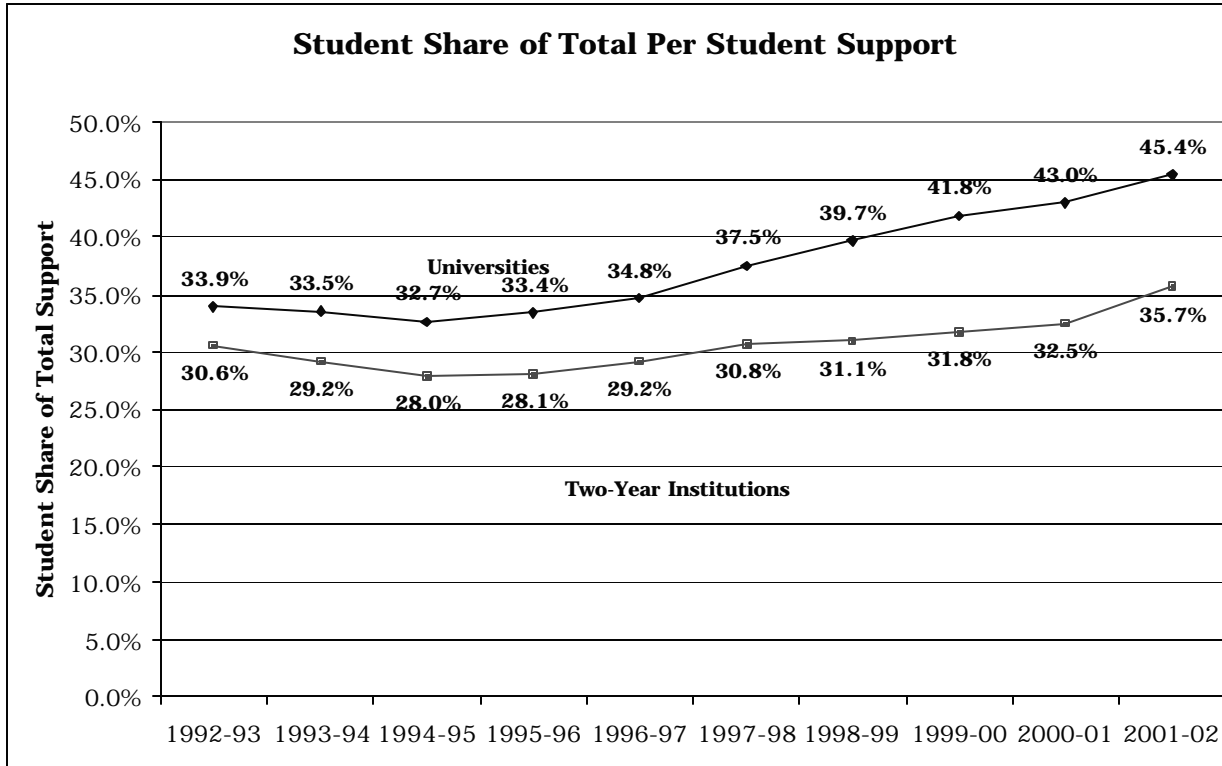


Percentage Change Since Previous Year in Average Tuition at Public Four-Year Colleges and in Median Family Income

Source: Washington Higher Education Coordinating Board; U.S. Census Bureau.

Tuition and Fees - A Shifting Funding Responsibility





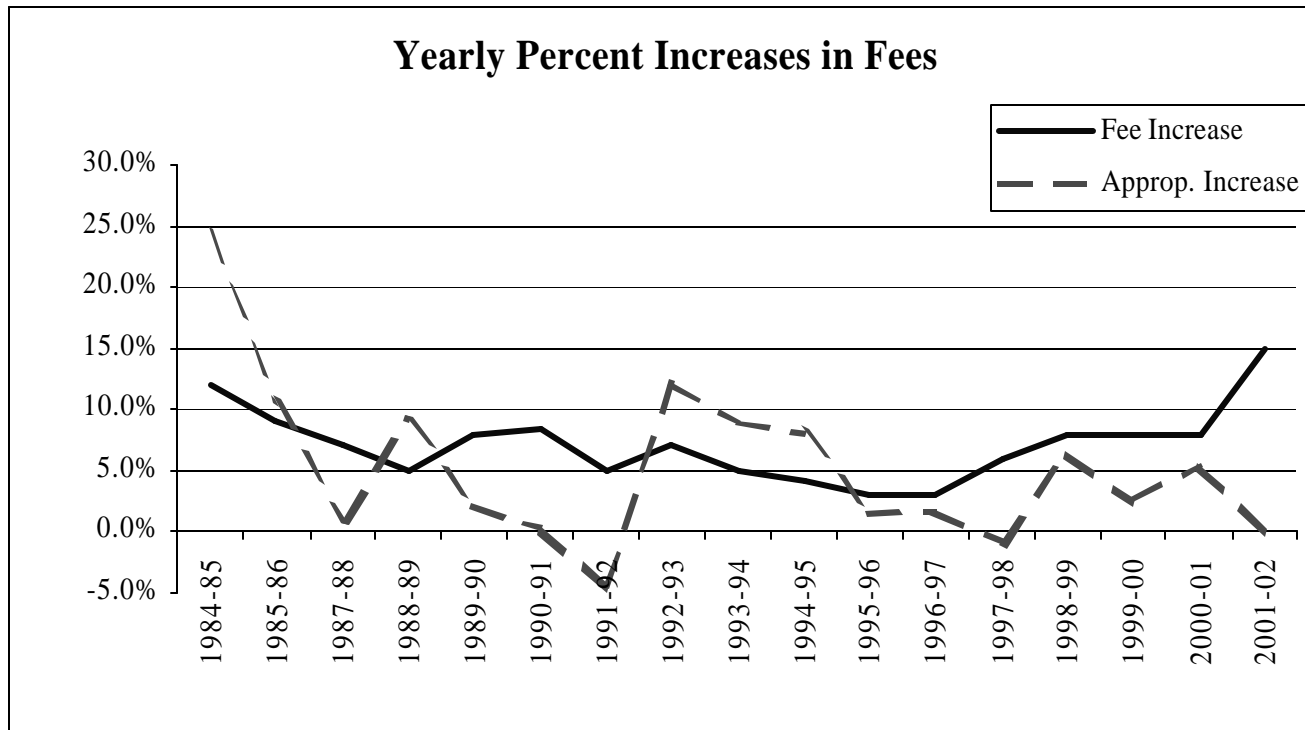
From 1992 to 2001, the proportion of total operating expenses accounted for by student fees has increased from 33.9% to 45.4% for the university sector.

State Financial Support for Higher Education

Trends in State and Local Operating Appropriations Per FTE at Public Colleges and Universities (adjusted for inflation)

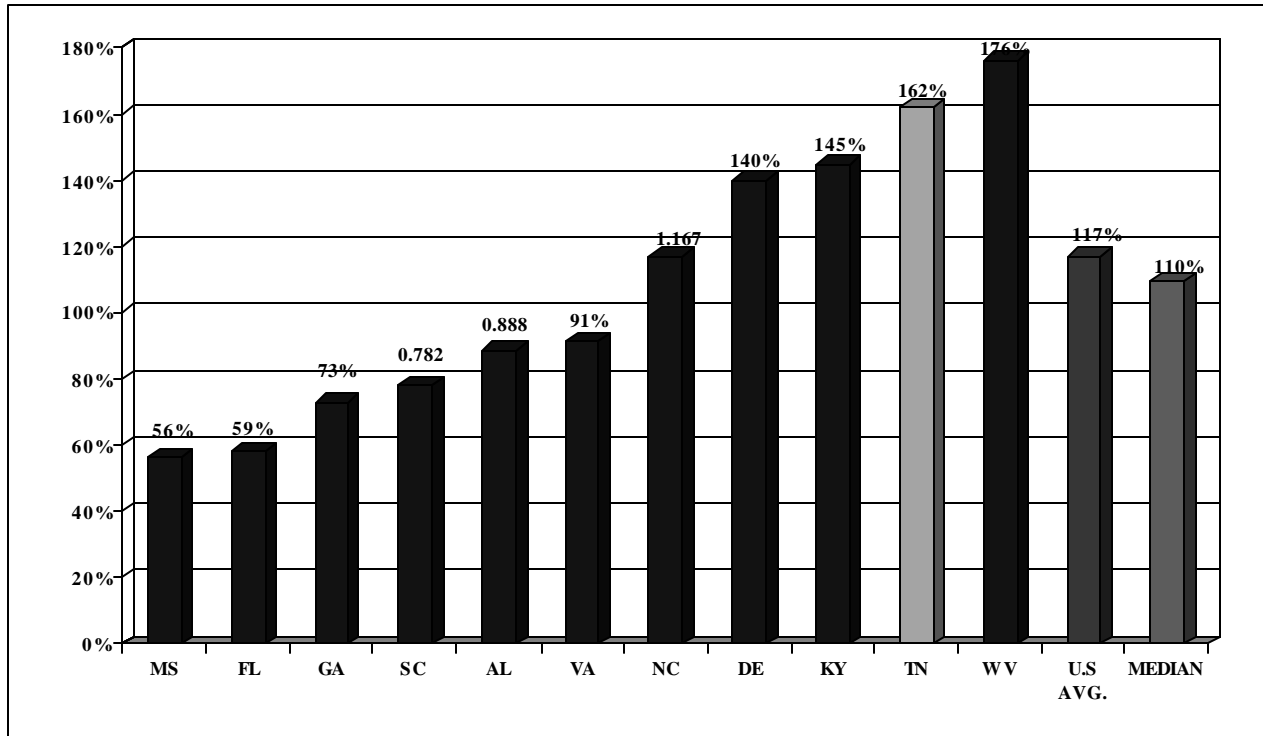
	Four-Year Colleges and Universities			
	1994-95	1999-2000	Change	Percent
SREB states	\$5,997	\$6,037	\$40	0.7
Alabama	5,777	4,871	-906	-15.7
Arkansas	5,451	5,618	167	3.1
Delaware	--	5,503	--	--
Florida	7,869	7,520	-349	-4.4
Georgia	6,427	7,562	1,135	17.7
Kentucky	5,083	5,025	-58	-1.1
Louisiana	3,908	3,803	-105	-2.7
Maryland	7,217	7,054	-163	-2.3
Mississippi	5,652	6,321	669	11.8
North Carolina	7,836	7,862	26	0.3
Oklahoma	4,753	5,204	451	9.5
South Carolina	5,498	5,367	-131	-2.4
Tennessee	6,633	5,330	-1,303	-19.6
Texas	6,261	6,133	-128	-2.0
Virginia	4,707	5,766	1,059	22.5
West Virginia	4,188	3,954	-234	-5.6

The Reliance Upon Tuition and Fees



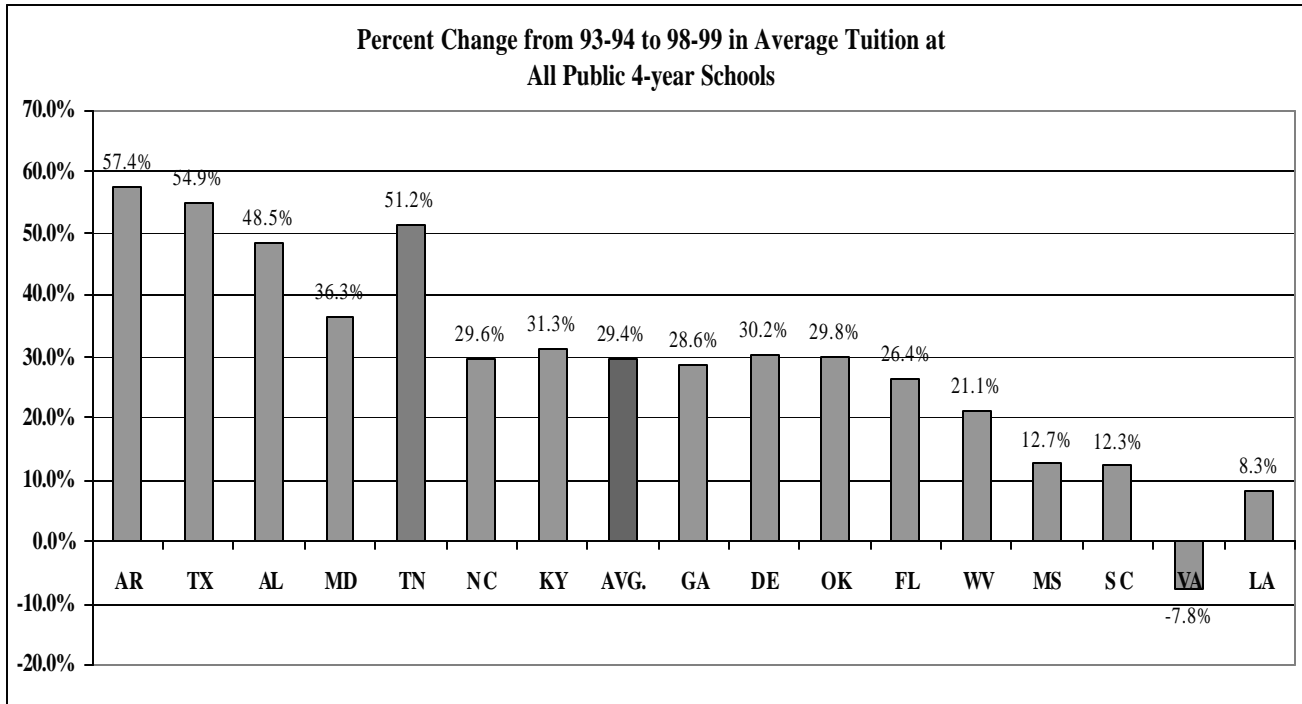
From 1993 to 2001, state appropriations have increased 27%, while fees have increased 72%

Tuition and Fee Increases from 1980 to 2000



Source: Postsecondary Education Opportunity # 106- April 2001

Impacts on Affordability



Data Source: Southern Regional Education Board

The Educational and Economic Condition of Tennessee



The Gateway to the Middle Class

“When Americans reflect on their hopes and desires for themselves and their families, they consistently talk about the familiar ideals of "the American dream": a decent-paying job, a home, a secure retirement, and the promise of a better life for their children. To most Americans today, a college education for their children is an essential part of this vision. More than eight out of ten Americans say that having a college degree is important to getting ahead and that a college education has become as important as a high school diploma used to be. A college education, in other words, is now seen as essential to achieving a comfortable middle-class lifestyle” (Callan 2002).



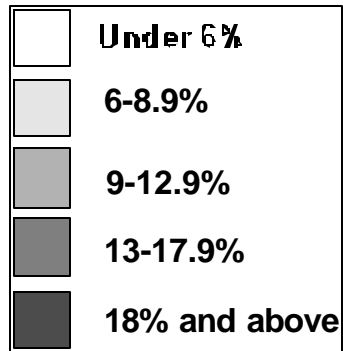
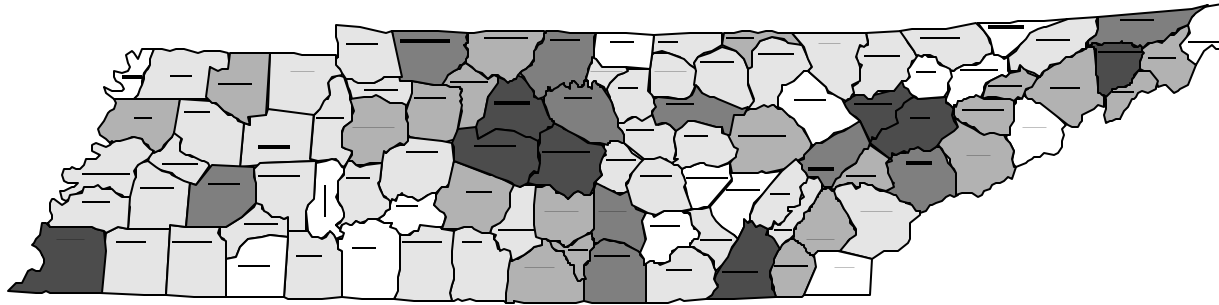
Educational Attainment among SREB States

Percentage of Population 25 or Older with a Bachelor's Degree (2000 Full Census)					
	1990	1995	1999	2000	% Change
United States	20.3%	23.0%	25.2%	25.2%	4.9%
SREB States	18.6%	19.9%	21.7%	21.7%	3.1%
Alabama	15.7%	17.3%	21.8%	19.0%	3.3%
Arkansas	13.3%	14.2%	17.3%	16.7%	3.4%
Delaware	21.4%	22.9%	24.0%	25.0%	3.6%
Florida	18.3%	22.1%	21.6%	22.3%	4.0%
Georgia	19.6%	22.7%	21.5%	24.3%	4.7%
Kentucky	13.6%	19.3%	19.8%	17.1%	3.5%
Louisiana	16.1%	20.1%	20.7%	18.7%	2.6%
Maryland	26.5%	26.4%	34.7%	31.4%	4.9%
Mississippi	14.7%	17.6%	19.2%	16.9%	2.2%
North Carolina	17.4%	20.6%	23.9%	22.5%	5.1%
Oklahoma	17.8%	19.1%	23.7%	20.3%	2.5%
South Carolina	16.6%	18.2%	20.9%	20.4%	3.8%
Tennessee	16.0%	17.8%	17.7%	19.6%	3.6%
Texas	20.3%	22.0%	24.4%	23.2%	2.9%
Virginia	24.5%	26.0%	31.6%	29.5%	5.0%
West Virginia	12.3%	12.7%	17.9%	14.8%	2.5%

TN ranked 10th in the SREB in 2000, an increase of one position over 1990.



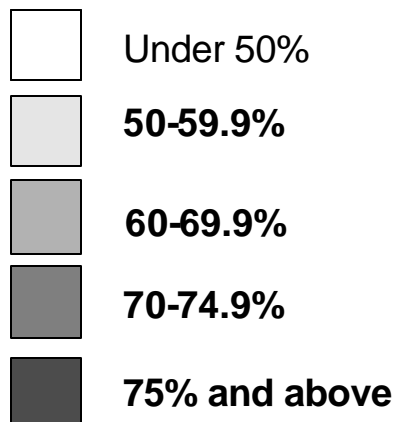
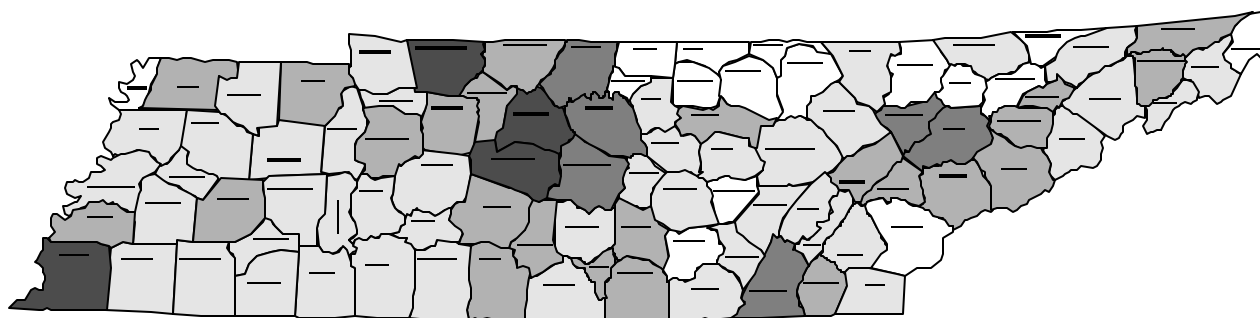
Percent of Population with a Bachelor's Degree - 2000



Average for Tennessee in 2000: 19.6%
Average for U.S. in 2000: 24.4%



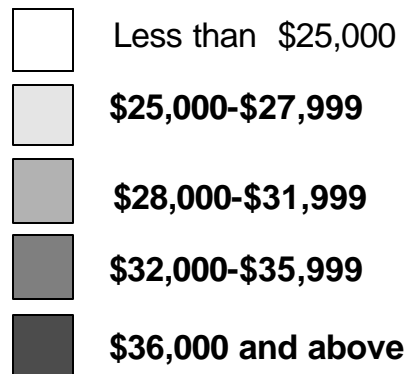
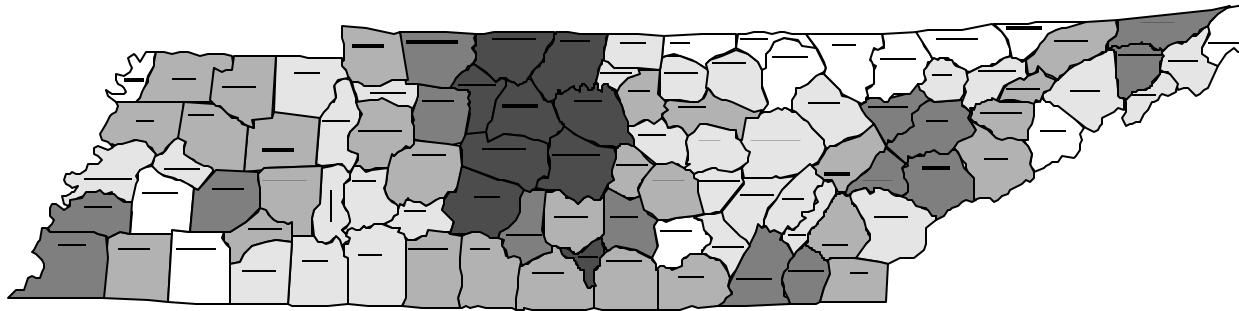
Percent of Population with a High School Degree - 2000



Average for the State of Tennessee in 2000	75.9%
National Average	80.4%



Median Household Income - 2000

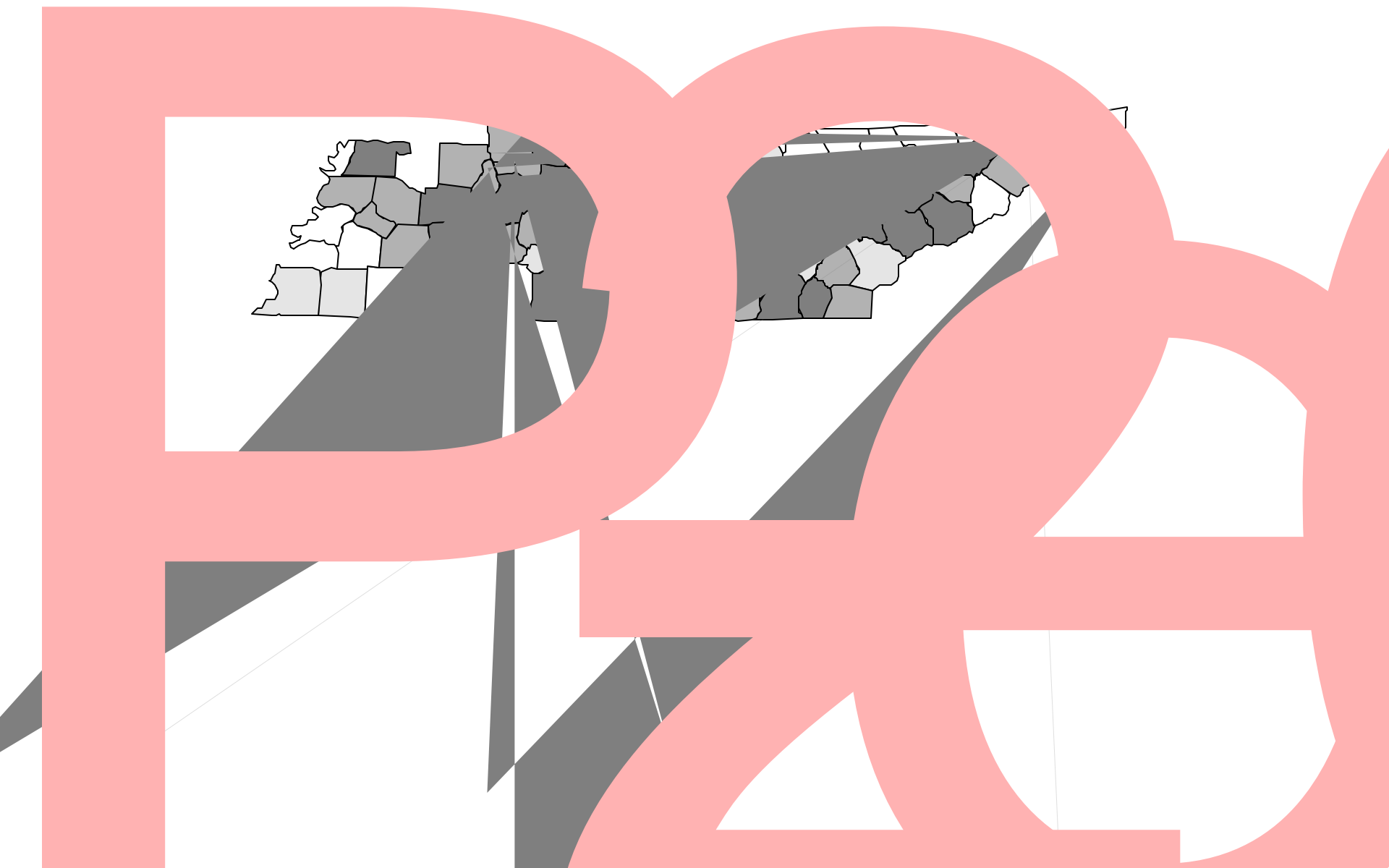


Median Household Income for
State of Tennessee, 2000

\$34,188

U.S. Average: \$42,148





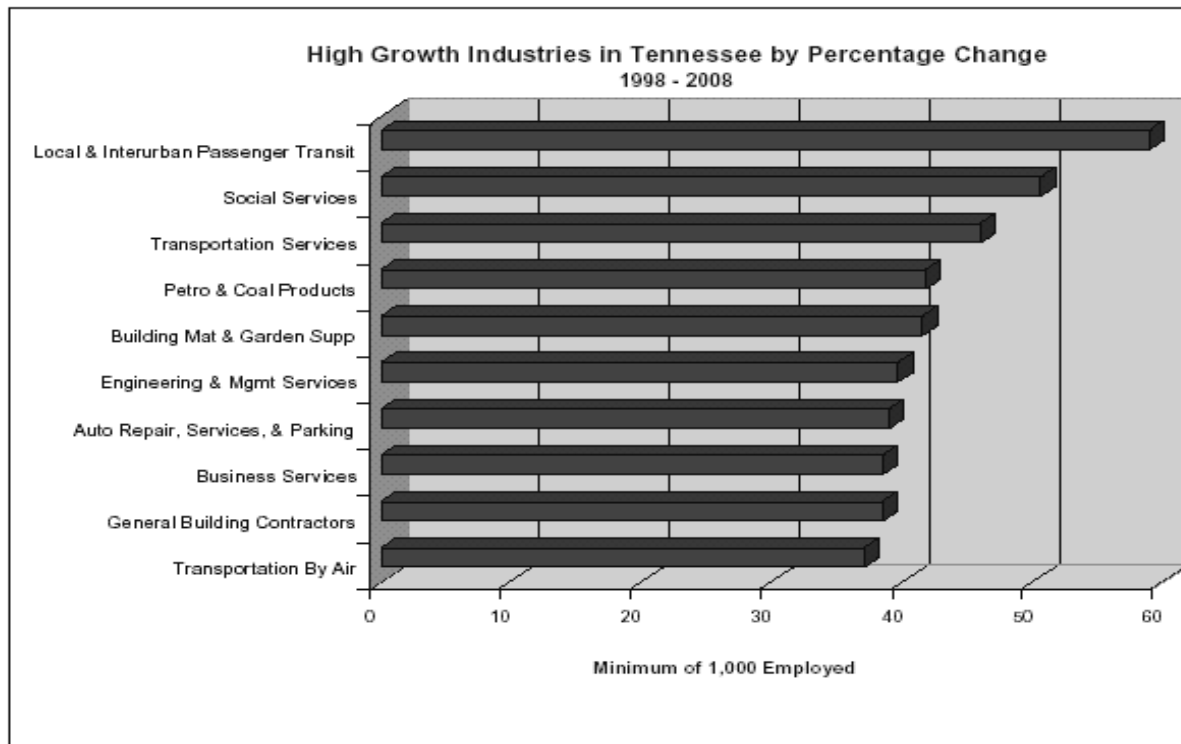
The Progressive Policy Institute - New Economies Index

STATES BY RANK					
Rank 2002	Score 2002	State	Rank 1999	Score 1999	Rank Change
1	90	Massachusetts	1	82.3	0
2	86.2	Washington	4	69	2
3	85.5	California	2	74.3	-1
4	84.3	Colorado	3	72.3	-1
5	75.6	Maryland	11	59.2	6
8	72.1	Virginia	12	58.8	4
9	70.5	Delaware	9	59.9	0
14	67.6	Texas	17	52.3	3
18	62.7	Florida	20	50.8	2
22	60.1	Georgia	25	46.6	3
26	57.5	NC	30	45.2	4
34	54.1	Oklahoma	40	38.6	6
39	52.2	Tennessee	31	45.1	-8
41	51.1	SC	38	39.7	-3
42	48.6	Kentucky	39	39.4	-3
45	45.9	Louisiana	47	28.2	2
47	45.3	Alabama	44	32.3	-3
48	41.7	Arkansas	49	26.2	1
49	40.9	Mississippi	50	22.6	1
50	40.7	West Virginia	48	26.8	-2

- TN rank declines by 8 in three years
- Historically, the economies of states such as TN depend on natural resources, or on mass production manufacturing, and rely on low production costs rather than innovative capacity, to gain a competitive advantage.
- Innovative capacity (derived through universities, R&D investments, scientists and engineers, and entrepreneurial drive) is increasingly what drives competitive success in the New Economy.



Labor Patterns in Tennessee



The Condition of Education in Tennessee

- The increased demand for education will place great stress on higher education in the 2000's.
- Tennessee's budgetary problems have resulted in a shifting financial structure for higher education.
- Pronounced limitations in fiscal resources have placed restrictions on higher education, thereby creating significant access barriers for many segments of the state's population.
- The debt burden of undergraduate students has increased precipitously during the past decade.
- Educational attainment levels in Tennessee trail regional averages and impede economic flexibility.



Losing Ground - Recommendations

- States should systematically and rigorously explore the potentials of information technology to improve the educational effectiveness and cost-effectiveness of on-campus and off-campus instruction.
- Programs that enable qualified high school students to gain college credit, through testing or while taking college courses in high school, should be more widely available.
- States should expand capacity in cost-effective undergraduate education. They should avoid creating new capacity for research and graduate education, and mission creep unless there is clear evidence of national and state needs.
- Tuition increases should be moderate, gradual, and predictable, and should take family income in each state into account.
- In both prosperous and declining economies, financial assistance for low-income families should be increased whenever tuition is increased.



